

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 03249 011631Z

65

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 AGR-05 /086 W

----- 039901

R 011449Z AUG 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 1034

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY GUAYAQUIL

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 3249

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: MEASURE AUTHORIZING EXPROPRIATION UNUSED UNITED
BRANDS LANDS PASSED

REF: A. SAN JOSE 2601 B. SAN JOSE 2720 C. SAN JOSE 3211
(NOTAL)

1. A BILL AUTHORIZING THE EXPRPRIATION OF UNCULTIVATED UNITED
BRANDS LANDS HAS BEEN PASSED BY THE COSTA RICAN NATIONAL
ASSEMBLY (REFTEL A). THE MEASURE WAS A RIDER TO THE BASIC BILL
INCREASING WHAT APPEARS TO BE A DISCRIMINATORY TAX ON BOTTLERS
OF SOFT DRINKS HAVING A FOREIGN TRADEMARK, MANUFACTURERS OF
CIGARETTES USING IMPORTED MATERIALS, AND IMPORTERS OF FOREIGN
CIGARETTES (SEE REFTEL B AND SAN JOSE A-60, JUNE 6, 1975).
THE ADDITIONAL TAX REVENUE IS INTENDED TO FINANCE THE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 03249 011631Z

ACTIVITIES OF THE INSTITUTO DE TIERRAS Y COLONIZATION (ITCO),

THE LAND-REFORM ORGAN WITHIN THE GOCR.

2. OPPOSITION TO THE TAX PORTION OF THE BILL HAS BEEN MILD IN THE LOCAL PRESS. THE ONE NOTABLE EXCEPTION HAS BEEN A STRONG LETTER OF PROTEST SENT TO PRESIDENT UDBER AND PUBLISHED IN LA REPUBLICA AND LA NACION OF JULY 30, 1975. THE LETTER, WRITTEN BY MAX KOBERG, PRESIDENT OF THE COSTA RICAN INDUSTRIAL CHAMBER, CALLED FOR A VETO OF THE TAX-MEASURE AND CHARACTERIZED IT AS A "NOXIOUS IMPRUDENCE", NOT IN ACCORD WITH THE CONSTITUTION, AND COMING AT A TIME WHEN THE COUNTRY IS AFFECTED BY THE DUAL EVILS OF INFLATION AND RECESSION. MR. KOBERG WENT ON TO SAY THAT DISCRIMINATORY TAXATION ESTABLISHES A DMCLEAN PRECEDENT THAT PLACES IN JEOPARDY THE FUTURE OF ANY COSTA RICAN ENTERPRISE HAVING LICENSING OR PATENT AGREEMENTS WITH FOREIGN ENTITIES. THE RESULT HE SAID WOULD BE TO MAKE COSTA RICA LESS ATTRACTIVE FOR FOREIGN INVESTORS WHO ARE NECESSARY TO DEVELOP NEW INDUSTRIES AND CREATE NEW JOBS. HE MADE NO REFERENCE TO THE EXPROPRIATION RIDER IN THE BILL.

3. THE EXPROPRIATION PART OF THE BILL AUTHORIZES THE GOCR TO EXPROPRIATE AN UNSPECIFIED AMOUNT OF UNCULTIVATED, ABANDONED, OR UNDER-UTILIZED LAND BELONGING TO UNITED BRANDS. THE EXPROPRIATED LANDS ARE TO BE TURNED OVER TO ITCO FOR RURAL DEVELOPMENT. PAYMENT FOR THE LANDS IS TO BE IN GOVERNMENT BONDS.

4. IN COMMENTS TO EMBOFF, RICHARD JOHNSON, PRESIDENT OF NUMAR, THE UNITED BRANDS EDIBLE OILS SUBSIDIARY, SEES THE FOLLOWING FOUR ALTERNATIVES NOW THAT THE BILL HAS PASSED IN THE NATIONAL ASSEMBLY: (1) THE HIGHLY UNLIKELY POSSIBILITY THAT PRESIDENT ODUBER WILL VETO THE MEASURES, (2) THE POSSIBILITY THAT DESPITE THE BILL BEING LAW, THE EXECUTIVE WILL CHOOSE NOT TO IMPLEMENT ALL OR PORTIONS OF THE BILL, MUCH AS HAS OCCURRED THUS FAR WITH THE CONSUMER PROTECTION LAW, (3) THAT A WAY WILL BE FOUND TO WORK THE U.B. DEVELOPMENT PROJECT (SEE REFTEL A). INTO THE FRAMEWORK OF THE EXPROPRIATION BILL, ALTHOUGH IT WAS NOT TOO CLEAR TO HIM HOW THIS COULD BE DONE WITHOUT U.B. LOSING TITLE TO THE LAND: AND (4) THAT THE EXPROPRIATION LAW WILL TAKE EFFECT AS OUTLINED IN THE BILL.

5. SHOULD THE EXPROPRIATION LAW BE APPLIED AS PASSED, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 03249 011631Z

UNITED BRANDS PLANS TO TAKE THE MATTER TO COURT, CONTESTING NOT THE EXPROPRIATION ITSELF BUT THE FORM OF PAYMENT WHICH, AS SPECIFIED IN U.B.'S CONTRACTS WITH THE GOCR, HAS TO BE IN DOLLARS AND CANNOT BE IN BONDS.

6. COMMENT. THE POLITICS OF LAND REFORM HAS LED THE NATIONAL ASSEMBLY TO PASS A BILL THAT MAY NOT BE IN THE BEST INTERESTS OF COSTA RICA. THE INCREASED DISCRIMINATORY TAXES ON SOFT

DRINKS AND CIGARETTES COME AT A TIME WHEN COSTA RICA CANNOT AFFORD TO DO ANYTHING THAT MAY DISCOURAGE FOREIGN INVESTMENT AND REINVESTMENT.

7. PRESIDENT ODUBER, IN A CONVERSATION WITH THE AMBASSADOR (REFTEL C), SUGGESTED A FIFTH ALTERNATIVE THAT WOULD FINESSE THE U.B. EXPROPRIATION. THE PRESIDENT'S PROPOSED ACTIONS SEEM TO BE ALONG THE SAME LINES AS MR. JOHNSON'S THIRD OPTION OUTLINED ABOVE. TODMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL LAND, LAND NATIONALIZATION, LEGISLATIVE BILLS, TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANJO03249
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750266-1133
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750890/aaaadbla.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SAN JOSE 2601, 75 SAN JOSE 2720, 75 SAN JOSE 3211
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEASURE AUTHORIZING EXPROPRIATION UNUSED UNITED BRANDS LANDS PASSED
TAGS: ETRD, EINV, CS, UNITED BRANDS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006